



Bridging the Gap: Creating Income Restricted Housing through Inclusionary Development

2020 Annual Report

With its long history of offering opportunity to its residents at all income levels, the City of Boston is proof that an economically inclusive city not only provides employers with the diverse workforce they need to build and maintain a strong economy, but also that providing opportunity across income levels leads to strong, healthy neighborhoods. Maintaining a strong middle class is critical to ensuring that Boston continues to be a thriving, diverse city where people want to live and employers want to locate. -- Housing a Changing City: Boston 2030



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2020 Annual Report

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Introduction

As rents and sales prices have increased in Boston, it has become more and more challenging for individuals and families to find housing that is affordable. As a result, the City of Boston has formulated a number of strategies to address affordability, which were outlined in the 2014 report [Housing a Changing City: Boston 2030](#) and [updated in 2018](#).

Boston’s affordable housing needs are addressed through several City agencies and programs. Each program targets a range of Boston’s household incomes, with the goal of meeting the needs of a diverse workforce. As a result, the City of Boston is committing considerable resources to both preserving existing housing and creating new housing for low-income households, while simultaneously addressing the fact that moderate- and

middle-income households also find it difficult to locate housing they can afford. To address these needs, the City is committed to innovative ways of increasing the overall supply of housing and finding a way to bridge the gap for households making too much for subsidized housing, but who still find it hard to find a place to live in Boston.

Boston’s Inclusionary Development Policy (“IDP”) bridges this affordability gap faced by households earning too much for a housing subsidy but not enough to secure housing they can afford on the open market through use of private funds. Developers seeking zoning relief are required to make a commitment to support affordable housing, through the inclusion of income-restricted units within their buildings (i.e. “on-site units”), the creation of units at another, nearby

TABLE 1 Different City of Boston Agencies Serve a Range of Incomes, in Order to Meet the Needs of a Wide Range of Households

Household Income	Boston Housing Authority	City of Boston Department of Neighborhood Development	BPDA
<\$25k	Public Housing, Vouchers	Homelessness Set Aside	
\$25k-\$50k	Public Housing, Vouchers	Affordable Housing Production	
\$50k-\$80k			IDP Rental
\$80k-\$100k		Downpayment Assistance	IDP Homeownership
\$100k-\$120k		Downpayment Assistance	

building (i.e. “off-site units”), by contributing to a citywide affordable housing fund, known as the IDP Fund, or through a combination of these options. When IDP was introduced in 2000, few cities had a similar policy. Today, Boston is often highlighted for the success of its program, with towns and cities across the country following Boston’s example to use inclusionary development programs to meet affordable housing needs.

Because of the IDP, developers have created a total of 3,238 units of stable, income-restricted housing, and their contributions to the IDP Fund have, when combined with other affordable housing resources, supported the completion or preservation a total of 2,226 additional units of income-restricted housing. As a result, a total of 5,464 income restricted units have been created since 2000 because of the IDP.

Prior to the adoption of the IDP in 2000, there was no requirement that private housing developers address affordability in their developments. Affordable or income-restricted housing was only created through a combination of multiple funding sources from Federal, State, and City programs. With limited funds, the City of Boston struggled to create large numbers of income restricted units. The IDP opened the door to an entirely new source of income-restricted housing, without the use of tax credits or housing subsidies. Since 2000, the IDP has leveraged private development for the direct creation of income-restricted housing, expanded the availability of housing affordable to a range of incomes, created much needed income-restricted units in central Boston neighborhoods, and

provided funds for the creation more deeply affordable housing. As a result of this program and other efforts, the City of Boston has been able to increase income-restricted housing production from an average of 290 units per year before the introduction of IDP, to an average of over 780 per year over the last five years.

How Does Inclusionary Development Work?

The IDP leverages zoning to require most housing developers to including income-restricted housing in their residential developments as a condition of seeking permission to build in ways that deviate from the zoning code. When a landowner seeks to develop a piece of property, the uses and size of the building are restricted by the zoning code. Under Boston’s IDP, whenever a developer of a project with ten or more housing units seeks to deviate from what is allowed by the zoning code (this is referred to as a “zoning variance” or “zoning relief”), the IDP applies to the project. Under the current, citywide policy, a developer is required to commit to income-restricting 13% of their on-site units. In some instances, the developer is allowed to create income-restricted off-site units, pay into the IDP Fund, or provide a combination of the options. For some projects, feasibility is improved and/or the City’s affordable housing goals are better met if off-site units or the IDP fund contribution option (or a combination) is undertaken. The requirements for these options vary, depending on the neighborhood and the type of housing (i.e. rental or homeownership) being built. The current requirements are outlined in the Appendix.

On-Site and Off-Site Unit Creation

The IDP has created 3,238 on-site and off-site IDP units since 2000, of which 299 (9% of the total) were completed during 2020. Of all on-site and off-site IDP units created by private developers since 2000, 22% are homeownership units (condominiums), and 78% are rental units. In addition, a substantial number of new IDP units are anticipated to be completed over the next few years: 908 units are under construction or have been permitted, and 2,481¹ units are in projects that have been approved by the BPDA in the last five years but have not yet pulled a building permit. When you combine the completed units with all those expected to be created over the next few years, the number of on-site and off-site IDP Units could grow to over 5,000.

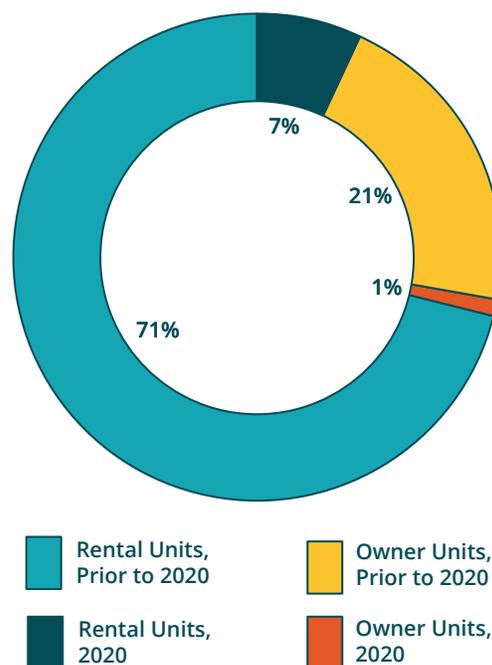
The Inclusionary Development Policy Contributes to Creating New Affordable Housing in Central Boston Neighborhoods

As Table 2 and Map 1 show, IDP Units are located across Boston, but units are concentrated in the areas where new, private housing production is occurring most, with the highest percentages (15%) in Downtown and the fast-growing South Boston Waterfront (the Seaport District). In total 57% of on-site and off-site IDP units are found in central Boston neighborhoods, stretching from the North End to the South End, and from the Seaport to the Fenway. Since the City of Boston has few available parcels in these neighborhoods,

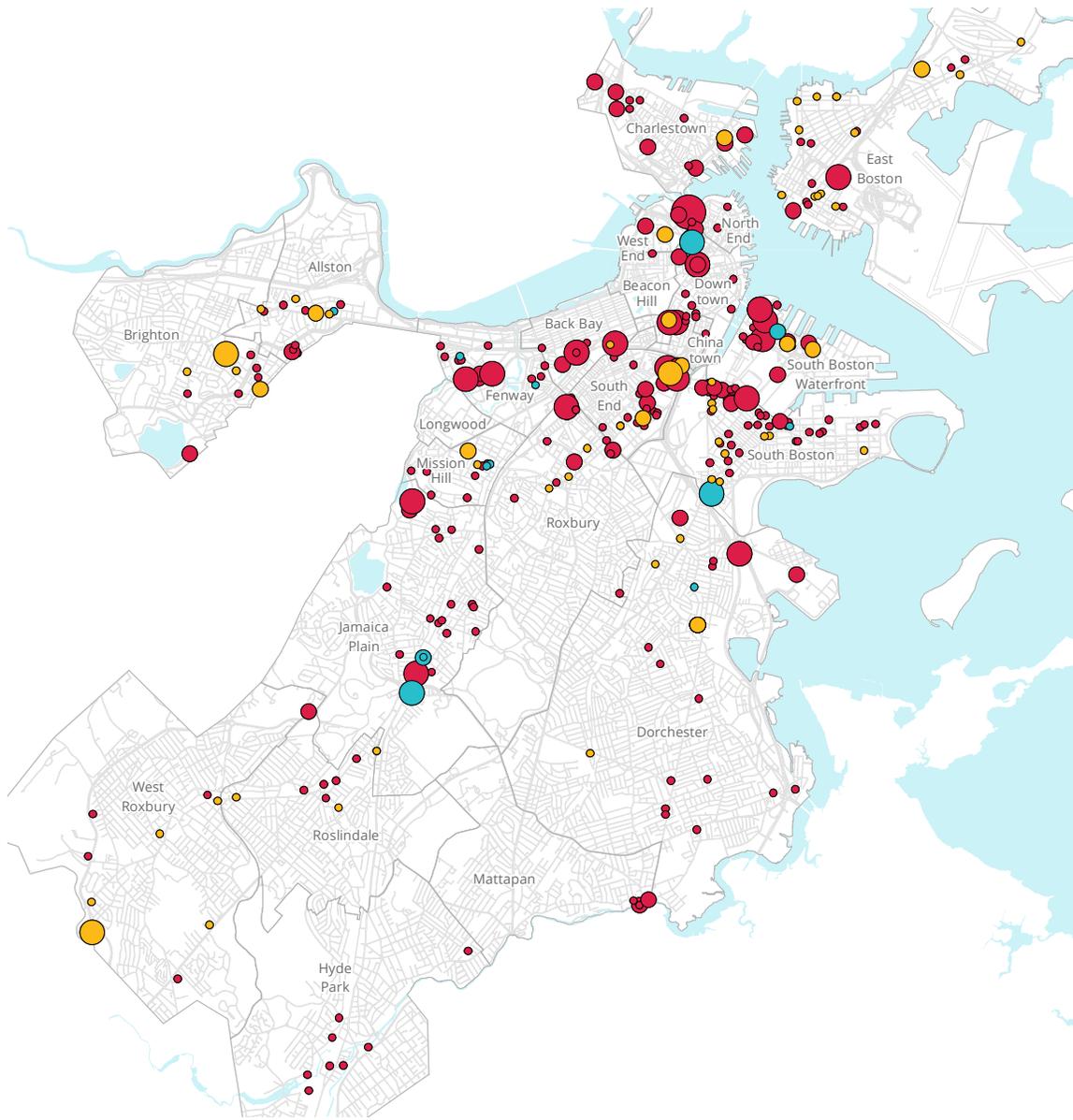
¹ This figure includes 900 units of income-restricted housing approved as part of the Suffolk Down project which has caused the five-year figure for units in projects approved by BPDA but not yet permitted to appear to have significantly increased over prior years.

and land prices are out of reach of affordable housing developers, the IDP is a critical tool in creating income-restricted housing in downtown neighborhoods. The IDP is one of only a few tools available helping to assure that households with a range of incomes can continue to live in the center of the City.

CHART 1 Inclusionary Development Units, by Tenure & Completion Period



Inclusionary Development Policy Unit Locations



Completed and In Construction or Permitted Development Projects

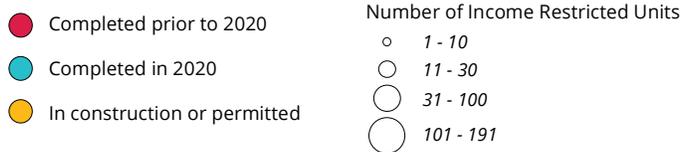


TABLE 2 Complete On-site and Off-Site IDP Units by BPDA Neighborhood

Neighborhood	IDP Units <i>on and off site</i>	%
Allston	82	3%
Back Bay	118	4%
Bay Village	-	0%
Beacon Hill	20	1%
Brighton	225	7%
Charlestown	143	4%
Chinatown	65	2%
Dorchester	169	5%
Downtown	472	15%
East Boston	118	4%
Fenway	248	8%
Hyde Park	34	1%
Jamaica Plain	220	7%
Leather District	19	1%
Longwood Medical Area	-	0%
Mattapan	42	1%
Mission Hill	37	1%
North End	8	<1%
Roslindale	17	<1%
Roxbury	102	3%
South Boston	306	9%
South Boston Waterfront	450	14%
South End	289	9%
West End	20	<1%
West Roxbury	34	1%
Total	3216	100%

The Inclusionary Development Policy Expands the Availability of Housing Affordable to a Range of Incomes

Beginning with the completion of New England’s first public housing project (South Boston’s Mary Ellen McCormack housing project) in the 1930s, Boston has been a leader in the creation and preservation of income-restricted housing. Boston has taken advantage of the full range of Federal and State programs and has been willing to add local resources. As a result, nearly twenty percent of Boston’s housing stock is income-restricted, a higher percentage than any other large, American city.

Unlike traditional affordable housing resources which are targeted to households making less than 60%² of the Area Median Income or AMI, IDP units are target to households making less than 70%³ AMI for rental units and less than 80%⁴ -100%⁵ of AMI for homeownership units. IDP units make up a very modest proportion of both Boston overall housing stock (1%) and its income-restricted housing stock (5%). Over time, the income ranges for which IDP units were targeted has changed, with units created during the early years of the policy being targeted to households making less than 80%-120% of AMI. Although IDP units represent a limited portion of the City’s income-restricted housing stock, these units are some of the only income-restricted units available to address the needs of moderate

² 60% AMI is a gross annual income of \$57,150 for a two-person household.

³ 60% AMI is a gross annual income of \$57,150 for a two-person household.

⁴ 80% AMI is a gross annual income of \$76,200 for a two-person household.

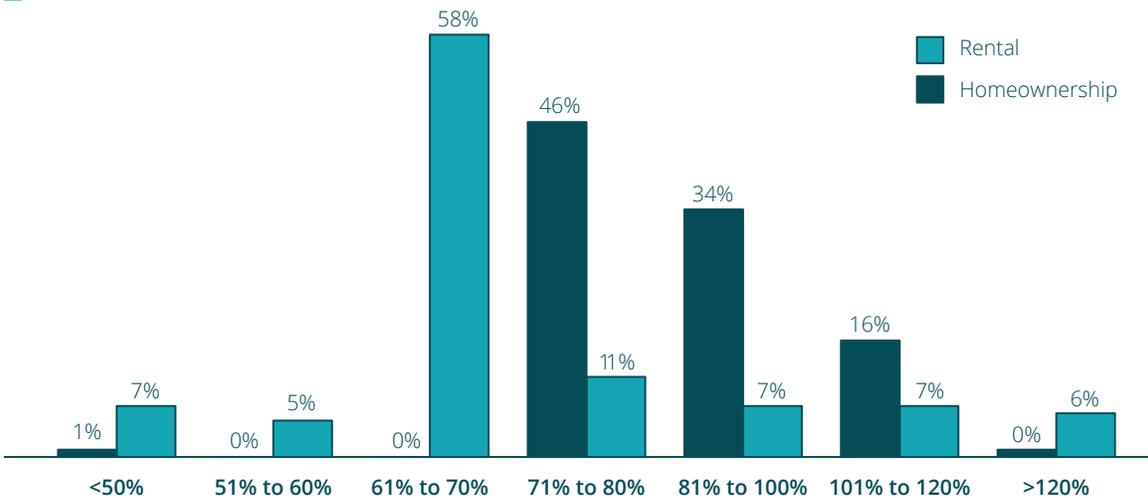
⁵ 100% AMI is a gross annual income of \$ 95,200 for a two-person household.

and middle-income households being priced out of the Boston real estate market, but unable to qualify for traditional housing subsidies requiring much lower incomes.

Given that the requirements of the program have changed over time, IDP units have a diverse range of maximum income limits, but 47% of homeownership units have a maximum income of 80 percent of AMI, and 70% of the rental units have a maximum income of 70% of AMI.

It is important to remember IDP AMIs represent income maximums and not income minimums. That coupled with the fact that AMIs have increased over 75% between 2000 and 2020 means that there are households with a wide range of incomes living in IDP units. Units monitored by the BPDA reflect this diversity of income. For condominiums monitored by the BPDA, 3% of current owners had incomes of less than \$25,000 when they purchased 28% had incomes between \$25,000 and \$50,000, 50% had incomes between \$50,000 and \$75,000, and 18% had incomes greater than \$75,000.

CHART 2 Completed On-Site and Off-Site Units, by Tenure & Maximum Income Limits (AMI)



Both because IDP rental units are targeted at lower incomes than homeownership units, and because some renters have a Federally- or State-funded housing voucher (e.g., Section 8, MRVP, VASH, etc.), the income profile of IDP renters is lower than for homeownership units: 17% of current renters had incomes of less than \$25,000 when they were initially approved; 46% had incomes between \$25,000 and \$50,000; 30% had incomes between \$50,000 and \$75,000, and 7% had incomes greater than \$75,000.

CHART 3

Incomes of Owners at the Time of Purchase, by Household Size

Data: BPDA monitored condominium units.



CHART 4

Renters by Incomes and Household Sizes

Data: BPDA monitored rental units.



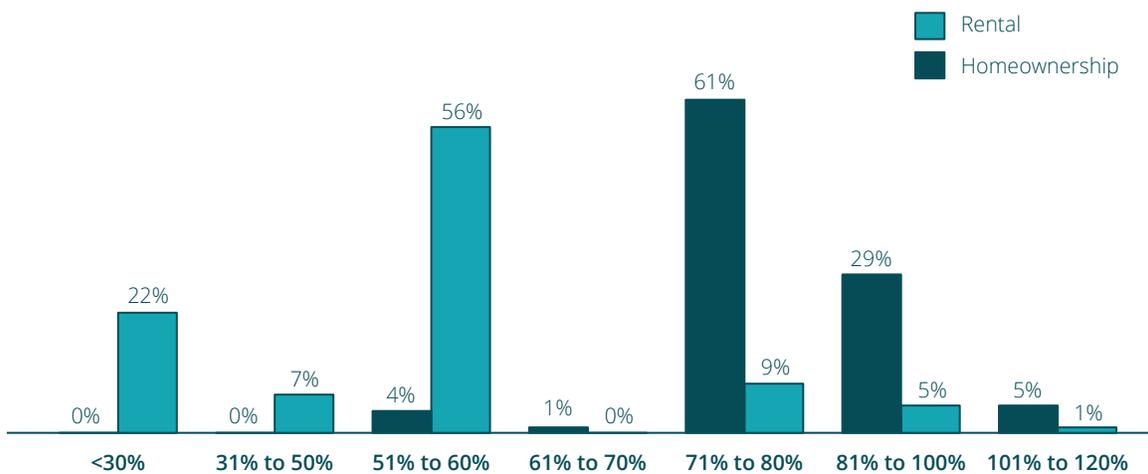
The IDP Fund: 2020 Completions and Finding Creative Solutions to Today's Problems

In addition to providing on-site and/or off-site units, developers can also meet IDP requirements by making a monetary contribution towards the creation of affordable housing. Contributions to the IDP Fund often result in the creation of affordable housing targeting households at lower AMIs than on-site or off-site IDP units. Through 2020, developers have made nearly \$165 million in IDP contributions, with nearly \$7 million of that sum paid in 2020. For every \$1 spent from the IDP Fund, over \$5 in matching City, State, and/or Federal funds is also spent on the creation or preservation of affordable housing. The City of Boston Department of Neighborhood Development (“DND”) manages the IDP Fund.

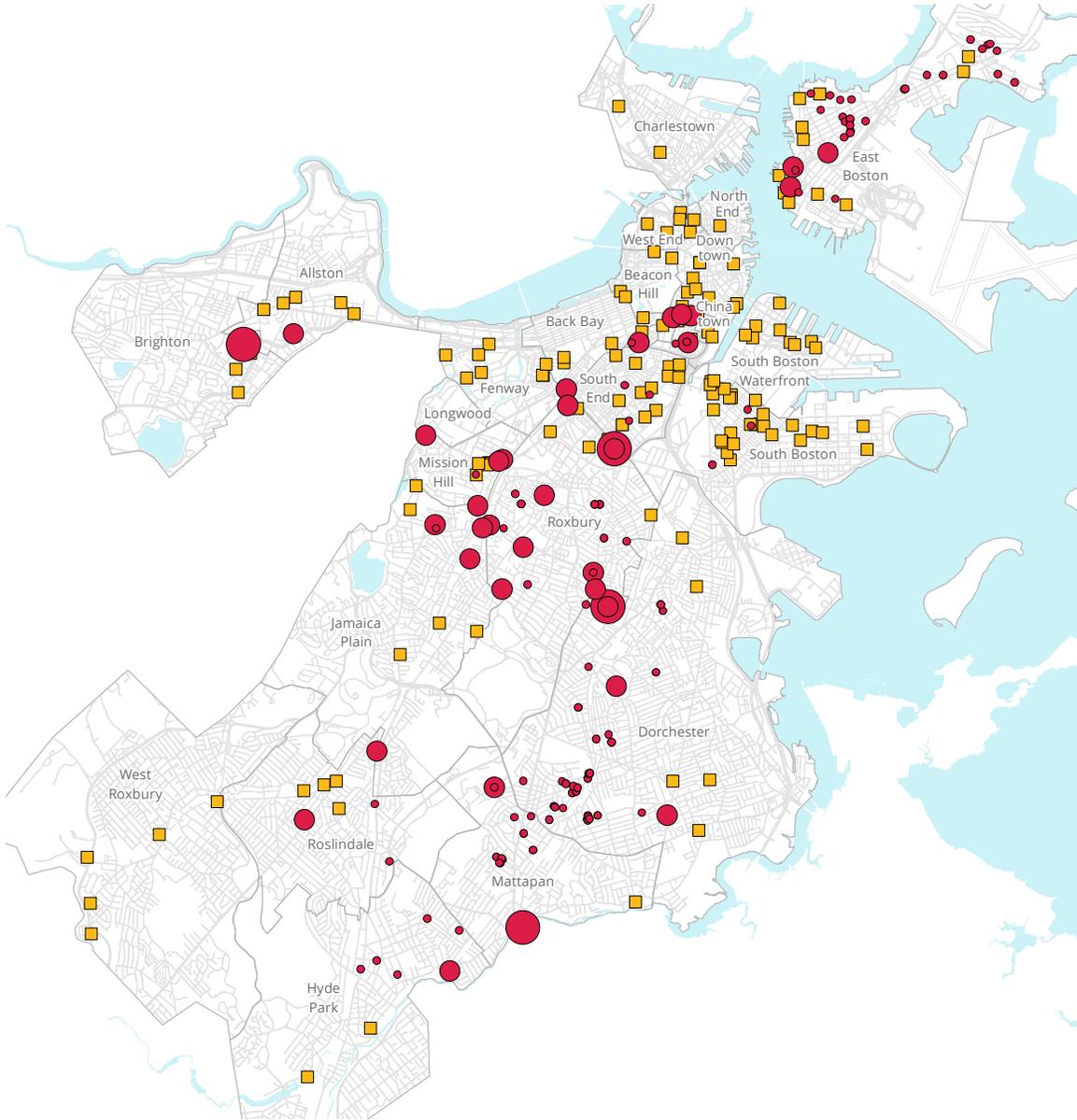
Through 2020, 2,226 income-restricted units-located across the City-have been completed or preserved with IDP funds. Of these, 216 were completed in 2020. An additional 253 units have been permitted or are under construction. Map 2 identifies the locations of both the developer commitments, and the location of new affordable housing units created with IDP funds.

Since IDP Funds are paired with other public subsidies, which are often targeted to lower income households, housing units created with IDP funds to have lower maximum rental and sales prices than on-site and off-site IDP units. For rental units, 85% created with IDP funds have lower maximum income limits than IDP guidelines, with nearly a quarter of units targeted to households making less than 30% of AMI and the remainder targeted to those at 30%-70% of AMI.

CHART 5 Incomes of Owners at the Time of Purchase, by Household Size
Data: BPDA monitored rental units. Not all IDP units are monitored by the BPDA.



Completed and In Construction or Permitted Development Projects



Completed and In Construction or Permitted Development Projects

■ IDP Fund Contributors

Note: Some of these projects have on-site IDP units, but are required to make a "partial unit" payment.

● Income restricted units supported through the IDP Fund

Number of Units

- 1 - 25
- 26 - 100
- 101 - 185

IDP funds are more flexible than State or Federal sources and have been used for a range of needs including preservation of affordable housing (including green retrofits of existing affordable housing), homebuyer down payment assistance, and homeowner repair programs. For several years, however, IDP Funds were used exclusively for the creation of new, income-restricted units. Recently, DND has begun to use some IDP Funds to respond to two challenges: the preservation of existing affordable housing and addressing rapid neighborhood change likely to result in displacement.

With property prices rising, speculators are buying properties with the intent of either tearing down existing homes or flipping the property, sometimes with only minor renovations which can put tenants at risk of displacement. While local nonprofits would like to intervene, they lack the cash to do so. As a result, the DND created the Acquisition Opportunity Program (AOP) to overcome this barrier. With the AOP along with funds from the IDP as well as from the Community Preservation Act, the City hopes to purchase and income-restrict 1,000 units of existing housing in Boston, by 2030.

Beyond Development Approval: Marketing and Monitoring IDP Units

The success of the IDP depends not only on the public/private partnership between the City, BPDA, and developers but also the interdepartmental partnerships within the City that work to monitor on-going compliance of income-restricted units to ensure they remain accessible to the households they are intended for. Each IDP unit is income-

restricted for 50 years and is monitored for compliance by the BPDA throughout the life of the restriction.

The accompanying graphic provides an overview of the steps in the compliance process, which involves not just the BPDA, but also the Mayor's Office of Fair Housing & Equity ("OFHE") and the Department of Neighborhood Development ("DND"). All these agencies are working diligently to improve and streamline processes.

In 2020:

- Fair Housing staff completed lotteries for 15 projects with IDP units.
- BPDA Housing Compliance staff completed 700 reviews of income and assets for applicants applying or recertifying their eligibility for IDP units monitored by the BPDA.

The Impacts of COVID-19

Despite the challenges of the COVID-19 pandemic, including both a pause in the BPDA review process and a temporary limitation on construction activities across the City, 2020 remained comparable to previous years in the approval and creation of income-restricted housing as well as payments to the IDP Fund. While income-restricted unit creation was down over 2019 numbers with nearly 13% fewer on-site and off-site units created and nearly 44% fewer units created using IDP funds, there have been similar fluctuations over the past 20 years indicating that income-restricted unit creation was not impacted by the COVID-19 pandemic.

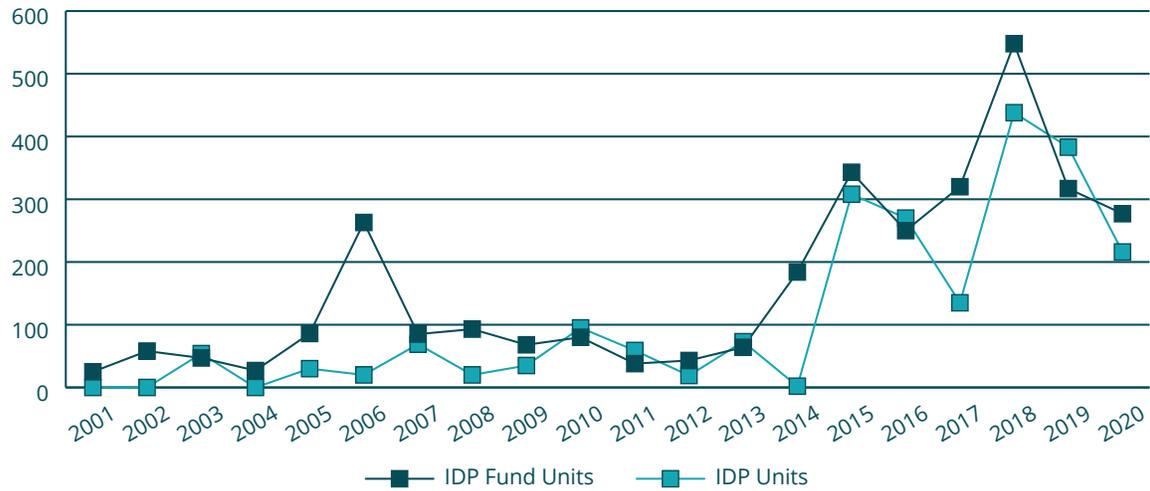
FIGURE 1 Beyond Development Approval:
BPDA's Continuing Relationship with a Project



CHART 6

IDP Units and IDP Funded Units Created 2000-2020

Data: BPDA monitored rental units. Not all IDP units are monitored by the BPDA.



Looking forward: Affirmatively Furthering Fair Housing

In December of 2020, the BPDA voted to add Affirmative Furthering Fair Housing (“AFFH”) amendments to the zoning code bringing Boston one step closer to being the first municipality in the country to use zoning to affirmatively promote equity. Although AFFH involves more than just the creation of affordable housing, it is an important additional tool the BPDA can use to help meet the City’s affordable housing development goals. This achievement would not have been possible without the demonstrated success of the IDP which has shown over the past two decades that it is possible for private development to address the economic needs of a range of households, especially those who are unable to access traditional housing subsidies. The City and the BPDA hope to apply the lessons learned from IDP to AFFH in order to demonstrate that is also possible for private development to address the needs of a range of communities, particularly those communities whose needs have not historically been met.

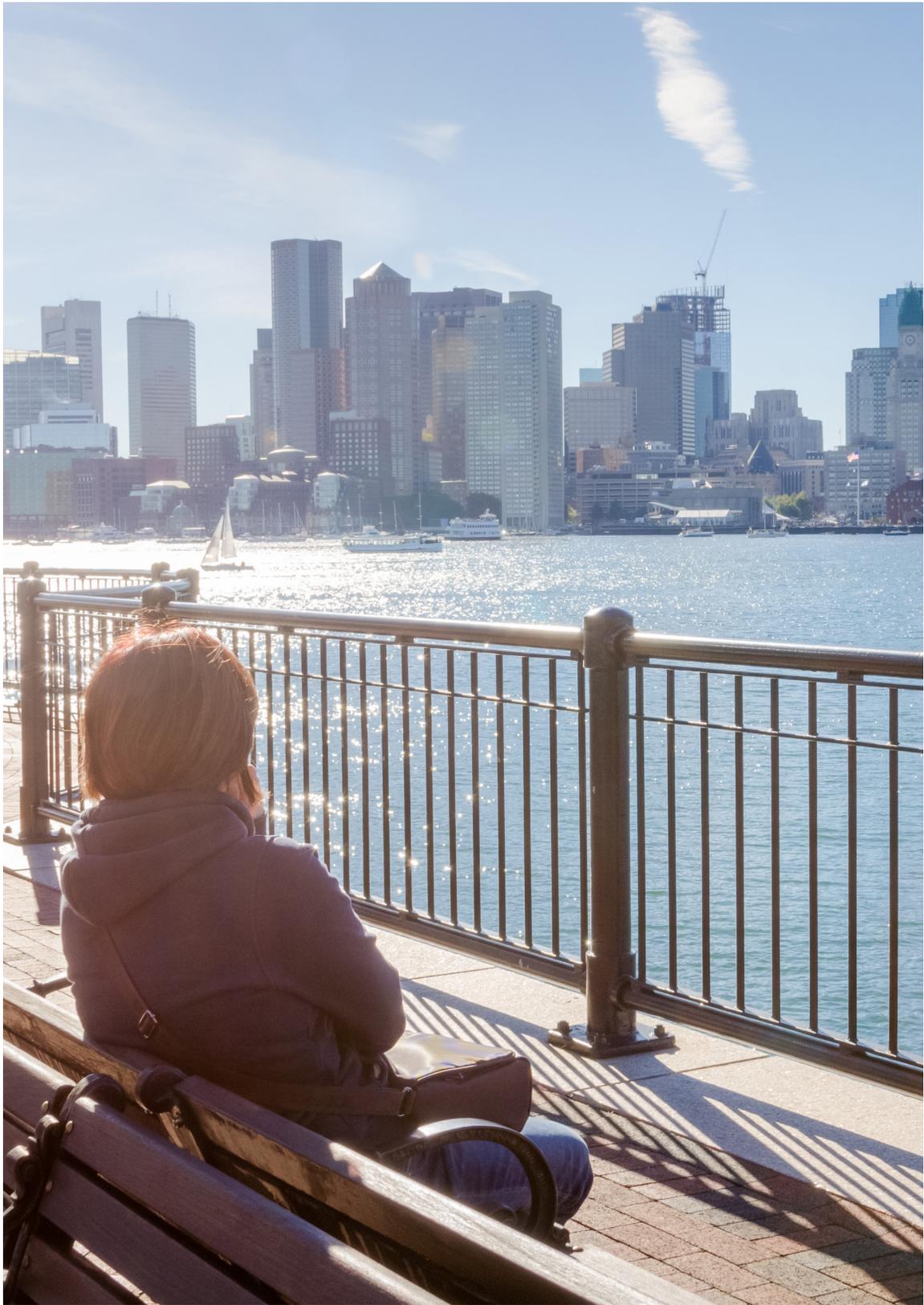
Suffolk Downs



September 2020 saw the approval of Suffolk Downs, the largest project to ever go before the BPDA. This five-phase project is anticipated to create approximately 7,000 residential units of which approximately 900 will be on-site IDP units. The developers have also committed to the creation of additional off-site income-restricted units through the creation of a \$5 million housing stabilization fund. Overall, the Suffolk Downs project will provide income-restricted units equaling 20% of overall housing units at the development site.

It is notable that the on-site IDP units will be made available at a range of AMIs in order to maximize the economic diversity within the income-restricted units. While the average AMI of all income-restricted units will be 70% (which is aligned with the IDP), there will be units targeted to households with income as low as 30% of AMI. No income-restricted unit will be targeted to any household making more than 100% AMI.

The \$5 million stabilization fund will be used to assist non-profits in the East Boston neighborhood to purchase existing market-rate housing and convert that housing into income-restricted housing. The intent of this fund is to alleviate displacement in the East Boston community and give non-profits that are working to stabilize the community access to the capital they need to compete for market-rate housing. The stabilization fund will be administered by the DND.



2020 Project Highlights

Completed



The Residences at Forest Hills (3694 Washington Street)

The 250 units Residences at Forest Hills is a rental development located directly across the street from the Forest Hills Orange Line MBTA station in Jamaica Plain on the site or a former parking lot. This development exceeds IDP requirements by income-restricting 20% of on-site units-or 50 units-at a range of income levels from 50% AMI to 100% AMI, with that majority targeted to those households with an income of 70% AMI. Construction was completed in December 2020 with leasing anticipated in early 2021.

Completed



O'Connor Way Elderly Housing

Located on a previous undeveloped parcel within Boston Housing Authority's Mary Ellen McCormack housing development in South Boston, O'Connor Way Elderly Housing is an example of when the creation of off-site IDP units results in a better affordable housing outcome for the City than on-site IDP units may have yielded. This development is comprised of 46 one-

bedroom rental units for individuals aged 62 and over with a household income between 30% and 60% of AMI. O'Connor Way Elderly Housing is the off-site IDP contribution for a portion of both the Pier 4 and 150 Seaport Boulevard developments and yielded a greater number of affordable units, with a deeper affordability than would have been possible through on-site IDP unit creation. Construction was completed in December 2020 with leasing anticipated in early 2021.



144 Addison Street

Located on the site of a former car rental business in East Boston, the 230-unit 144 Addison Street development is anticipated to provide 30 on-site IDP rental units for households earning no more than 70% AMI. Construction began in mid-2020 and remains ongoing.



4345-4351 Washington Street

IDP funds were paired with AOP funds to assist Southwest Boston CDC to purchase a 26-unit building containing one- and two-bedroom units. It is anticipated that these units will be converted into condominiums.



Residences at Readville Station (1717-1725 Hyde Park Avenue)

The Residences at Readville Station is 273 rental and condo development located on a former industrial site adjacent to the Readville MBTA Commuter Rail Station. This development is anticipated to create 23 IDP homeownership (three more units than required by IDP) and 18 rental units bring total affordability at the site to 15%. BPDA

approval was granted in December 2020 and predevelopment is ongoing.



Allston Green (20 Linden Street)

Located on 1.8 acres of former commercial and dilapidated residential uses at the intersection of Cambridge and Linden Streets in Allston, the Allston Green development proposes 349 rental units complying with the City's Compact Living Pilot Program, of which 45 will be on-site IDP units. This brings the total number of income-restricted units at the site to 15%.

The IDP units will be targeted to a range of incomes from 50% - 100% of AMI with the majority of the units targeting households with incomes no greater than 70% of AMI. The IDP units targeting 50% AMI households will be designated for City of Boston Certified Artists to be used as live/work-spaces. BPDA approval was granted in December 2022 and predevelopment is ongoing.

Appendix

TABLE 4 Appendix:
2015 Inclusionary Development Policy Requirements, by Zone

IDP Option	Zone A	Zone B	Zone C
On-Site	13% of total units	13% of total units	13% of total units
Off Site	18% of total in vicinity	18% of total in vicinity	15% of total in vicinity
Cash Out Condo	18% of total at 50% of price differential (\$380,000 minimum)	18% of total at 50% of price differential (\$300,000 minimum)	15% of total at 50% of price differential (\$200,000 minimum)
Cash Out Rental	18% of total at \$380,00	18% of total at \$300,00	15% of total at \$200,00

Requirements in Bold Are "As-Of-Right" and Do Not Require Special BPDA Approval

